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No. 07-384

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SUPREME COURT, U.S.

In The

Supreme Court of the United States

DANIELS MEASUREMENT SERVICES, INC., a Texas Corporation,

Petitioner,

v.

EAGLE RESEARCH CORPORATION, a West Virginia Corporation,

Respondent.

On Petition For Writ Of Certiorari To The Circuit Court Of Putnam County, West Virginia

BRIEF IN OPPOSITION

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QUESTIONS PRESENTED

1. In a breach of contract case, does a jury's award of compensatory damages based on the profits earned as a result of the breach, violate the Due Process Clause of the Fourteenth Amendment?

2. In a breach of contract case, does the Due Process Clause of the Fourteenth Amendment guarantee appellate review of a state court jury verdict by this Court when the trial court denied the defendant's post-trial motions?

3. In a breach of contract case, does the Due Process Clause of the Fourteenth Amendment guarantee appellate review of a state court jury verdict by this Court, when the state appellate court reviewed the defendant's petition for appeal and denied the petition after considering the parties' written submissions and oral argument?

PARTIES TO THE PROCEEDING AND RULE 29.6 STATEMENT

Pursuant to Rule 29.6, respondent, Eagle Research Corporation was the plaintiff below and is a "C" Type West Virginia Corporation. There are no parent corporations nor does a publicly traded company own any of its shares.

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RESPONSE TO THE PETITION FOR A WRIT OF CERTIORARI

Respondent Eagle Research Corporation ("Eagle") respectfully submits this response to Petitioner Daniel Measurement Services, Inc.'s ("DMS") petition for a writ of certiorari to review the judgment of the Circuit Court of Putnam County, West Virginia.

OPINIONS BELOW

The orders of the Circuit Court denying DMS' motions for judgment as a matter of law, for a new trial, and for reconsideration, are unreported. The orders of the West Virginia Supreme Court of Appeals denying DMS' petition for discretionary review and dismissing Eagle's appeal are also unreported.

JURISDICTION

The Circuit Court entered final judgment and denied reconsideration on August 18, 2006. The West Virginia Supreme Court of Appeals denied DMS' petition for appeal on May 22, 2007, but granted Eagle's cross-petition for appeal. On June 12, 2007, Eagle moved to dismiss its appeal. The West Virginia Supreme Court of Appeals granted Eagle's motion on June 27, 2007.

On September 19, 2007, DMS filed its petition for a writ of certiorari. DMS invokes the jurisdiction of this Court under 28 U.S.C. § 1257.

CONSTITUTIONAL PROVISIONS ALLEGEDLY INVOLVED

The Fourteenth Amendment to the U.S. Constitution provides that:

> No State shall . . . deprive any person of life, liberty, or property, without due process of law . . .

U.S. Const. amend. XIV, § 1.

COUNTER-STATEMENT

This case does not involve an important issue of constitutional civil procedure. The jury's award of ten million, five hundred thousand dollars ($10,500,000.00) for breach of the confidentiality agreement is based on sufficient evidence of record. Resp. App. 1a-9a. Also, the trial court's instruction concerning damages, while not the instruction proposed by Eagle, was a sufficient basis for the jury's verdict. Resp. App. 10a-11a.

The trial court did not abdicate its duty to review the verdict. The defendants filed post-trial motions for judgment notwithstanding the verdict, and in the alternative, for a new trial. Those motions were

briefed extensively, and the trial court heard oral argument on the motions as well. DMS, while contending that the trial court completely failed in its duty to review the jury's verdict, omitted the fact that, on one post-trial motion, the trial court, *sua sponte*, gave the defendants m ch more relief than what they sought.

Before DMS breached the contract for the purchase of three thousand (3,000) flow computers from Eagle, Eagle provided approximately forty-six (46) computers to DMS. DMS paid for those computers. However, the jury's verdict of four million dollars ($4,000,000.00) in lost sales included those flow computers for which DMS had already paid. One of the defendants' post-trial motions sought a reduction of the four million dollar ($4,000,000.00) judgment as a result of the prior payments. The prior payments totaled three hundred, twenty-five thousand, nine hundred, and eighty-one dollars and twenty-three cents ($325,981.23.)

During the hearing on the defendants' post-trial motions, the trial court, on its own, began questioning the sufficiency of the evidence regarding add-ons, such as communication devices, to the basic flow computer. See Appendix C of DMS' Petition citing the trial court's order. After extensive argument on this issue, the trial court reduced the verdict for breach of the purchase contract by two million dollars ($2,000,000.00.) This amount represented the costs of the add-ons, which the trial court found DMS had not necessarily agreed to purchase for all three thousand

(3,000) flow computers. It is clear from the trial court's *sua sponte* reduction of Eagle's damages by two million dollars ($2,000,000.00) that the trial court did not abdicate its duty to review the jury's verdict.

When DMS solicited proposals from manufacturers of flow computers, DMS did not ask bidders to "assume" that it would purchase three thousand (3,000) flow computers annually. DMS told Eagle that DMS was looking at three thousand (3,000) units per year. Resp. App. 12a-13a. When asked by Eagle whether the first year's three thousand (3,000) units would be a firm commitment, DMS replied that it was. Resp. App. 12a-13a. The jury found that DMS did, in fact, commit to the purchase of three thousand (3,000) flow computers. Resp. App. 14a-16a.

The e-flow computer project did not fail as DMS claims. DMS had already purchased forty-six (46) flow computers from Eagle. Resp. App. 17a-19a. DMS received a quote from one customer for three thousand (3,000) units. Resp. App. 18a. Another order from Texaco called for two hundred units. Any failure of the project was the result of DMS breaching the purchase contract with Eagle for three thousand (3,000) flow computers. Resp. App. 19a.

DMS' assertion that there is no evidence in the record which could sustain a four million dollar ($4,000,000.00) award for breach of the purchase contract is not correct. At trial, the President of Eagle testified that each flow computer had a base price, with an additional price for add-on communication

devices. Based on the prices for the two thousand, nine hundred, fifty-four (2,954) remaining flow computers which DMS refused to buy, Eagle's reasonably ascertainable losses for breach of the purchase contract totaled almost four million dollars ($4,000,000.00.) Resp. App. 20a.

DMS did not pay Eagle one hundred thirty-eight thousand dollars ($138,000.00) "to settle all outstanding charges" as DMS claims. DMS paid one hundred thirty-eight thousand dollars ($138,000.00) to Eagle for outstanding invoices for purchases from Eagle totaling that amount. Resp. App. 21a-22a.

After Eagle dropped its claim for misappropriation of trade secrets claim, Eagle was later provided with the defendants' model numbers FB 103 and FB 104 flow computers. Dr. Roy Nutter, Eagle's expert in engineering, discovered that the FB 103 and FB 104 computers were modeled after Eagle's flow computer. The defendants did not offer any evidence to rebut this testimony. Resp. App. 23a-24a.

DMS' assertion that there is no evidence in the record that could possibly sustain the ten million five hundred thousand dollar ($10,500,000.00) award is not correct. The evidence submitted at trial was sufficient to establish Eagle's reasonably ascertainable loss for breach of the confidentiality agreement. Evidence was presented showing Emerson's profits from the sale of flow computers, which Dr. Nutter found to be identical to Eagle's flow computers. At trial, Eagle argued that profits of the defendants are

evidence of Eagle's reasonably ascertainable losses. Resp. App. 25a-27a.

DMS states that the profits in question were profits from a non-party subsidiary of DMS' parent company. This statement is also not correct. After DMS gave Eagle's protected technology to Emerson, Fisher-Rosemont, a division of Emerson, not a subsidiary of Emerson, earned profits from the sale of flow computers which were identical to Eagle's flow computer. Because Fisher-Rosemont was part of the Emerson Corporation, and not just a subsidiary, Fisher-Rosemont's profits are Emerson's profits. These profits were determined by documents provided by Defendant Emerson during the discovery phase of the litigation. See Pet. App. J. The amount of Emerson's profits was revised based on the testimony at trial from Randy Page, an employee of Emerson. Resp. App. 25a; 39a-45a. The profits of Emerson, through Fisher-Rosemont, are related to DMS' breach of the confidentiality agreement because the profits arose from Emerson's sale of flow computers which were identical to the flow computers Eagle sold to DMS.

Emerson obtained Eagle's technology from DMS and made profits from the sale of computers which were copies of Eagle's flow computers. Eagle did not base its claim for damages on the disgorgement of the defendants' profits. Rather, Eagle argued at trial that Emerson's profits from sales of flow computers, which were identical to Eagle's flow computers, was evidence of Eagle's loss arising from the breach of the confidentiality agreement. Resp. App. 25a-27a; 39a-45a.

DMS' statement that Eagle never objected to the trial court's instruction on the basis of an award for damages for breach of the confidentiality agreement is also wrong. Eagle submitted an instruction, Plaintiff's Instruction No. 30-B, which stated that the respondent's breach of contract damages could be based on the plaintiff's lost profits, or the defendant's profits arising from the breach, whichever was greater. After the trial court presented the parties with its proposed charge to the jury, Eagle argued to the court that the instruction concerning damages for breach of contract should include the language contained in Plaintiff's Instruction 30-B. Resp. App. 28a-32a. The trial court rejected this instruction a second time. Before instructing the jury, however, the trial court noted the parties' exceptions to the trial court's rejection of any proposed instructions. Resp. App. 33a-34a.

DMS submits that the jury's award is based on a theory on which it was never instructed. This statement is not correct. The trial court instructed the jury that it could award damages based on the plaintiff's reasonably ascertainable losses. In closing argument, plaintiff argued that plaintiff's losses could be based on the profits which the defendants earned as a result of the breach. The respondent did not object to this argument. The award in this case is properly based on the trial court's instructions to the jury. The instruction by the trial court was a correct statement of the law and a sufficient basis for the verdict.

DMS asserts that the West Virginia Supreme Court of Appeal's unanimous vote to grant Eagle's

petition for appeal on the trial court's reduction of the purchase contract damages by two million dollars ($2,000,000.00) provided a means for DMS to cross-assign as error the ten million five hundred thousand dollar ($10,500,000.00) damage award. While W. Va. R. App. P. 10(f) does not delineate the scope of cross-assignments of error, it is highly unlikely that the West Virginia appellate court would allow DMS to argue a second time the same assignments of error which the court previously rejected.

REASONS FOR DENYING THE PETITION

I. THERE IS NO PRECEDENT FOR THIS COURT'S REVIEW OF THE JURY'S AWARD FOR COMPENSATORY DAMAGES AGAINST DMS.

DMS has not cited any cases holding that it has a federal constitutional right to have this Court determine whether the state court verdict against it is supported by the evidence. DMS has also failed to cite any cases which suggest that it has a federal constitutional right to have this Court determine whether the compensatory damages awarded against it are reasonable. DMS has failed to cite a case in its favor on these issues because no such case exists.

DMS quotes Justice Scalia from his concurring opinion in *TXO Prod. Corp. v. Alliance Res. Corp.*, 509 U.S. 443 (1993), as writing that procedural due process requires a judicial review of the sufficiency

and reasonableness of a civil jury's award of compensatory damages. DMS omitted the remainder of Justice Scalia's opinion. Immediately after Justice Scalia wrote that due process requires judicial review of a jury's damage award, he went on to write that "*. . . no one would claim (or at least no one has yet claimed) that a substantively correct determination of sufficiency of evidence and reasonableness of compensatory damages is a federal constitutional right.*" 509 U.S. at 471 (Scalia, J., concurring in the judgment, joined by Thomas, J.) (emphasis added).

In this case, judicial review of the jury's verdict occurred when the trial court heard and ruled on DMS' post-trial motions, and when the West Virginia Supreme Court of Appeals considered DMS' written petition for appeal and heard oral arguments in support of the petition. While Eagle does not concede that the decisions below were wrong, DMS does not have a federal constitutional right to have this Court determine whether the decisions below were correctly made. *Id.*

DMS argues that the decision below conflicts with the decisions of this Court. DMS relies primarily on *TXO* and *Honda Motor Co. v. Oberg*, 512 U.S. 415 (1994). However, DMS also cites *State Farm v. Campbell*, 538 U.S. 408 (2003) and *BMW of N. Am., Inc. v. Gore*, 517 U.S. 559 (1996). In all of these cases, this Court looked at whether the state court's award of punitive damages against the defendant complied with the procedural requirements of the Federal Due Process Clause. In this case, the jury did not award

punitive damages. Thus, the decisions in *TXO, Oberg, Campbell,* and *Gore* do not apply, and should not be used in this case as a basis for reviewing the jury's award of compensatory damages only.

DMS also relies on *Brinkerhoff-Faris Trust & Savings Co. v. Hill*, 281 U.S. 673 (1930). DMS cites this case for the general proposition that federal due process can extend to state action through the judicial branch of government. However, once again, *Brinkerhoff-Faris* is factually distinguishable from this breach of contract case.

In *Brinkerhoff-Faris,* the plaintiff sought an injunction against the county treasurer to prevent him from collecting taxes, which the plaintiff claimed to be excessive. At the time the plaintiff was assessed with the allegedly excessive tax, there was no administrative remedy in place which allowed the plaintiff to dispute the tax. The trial court denied the plaintiff relief without hearing the merits of the plaintiff's claim. Because there was no administrative remedy in place at the time the tax was assessed, the state court judgment denying the plaintiff relief violated its federal due process rights. *Brinkerhoff-Faris.*

In this case, unlike the plaintiff in *Brinkerhoff-Faris*, DMS cannot claim that it was not given an opportunity to be heard. DMS participated in a hotly contested trial which lasted almost three weeks. DMS submitted extensive post-trial motions, upon which the trial court also heard oral argument. After obtaining partial relief from the verdict on the purchase

contract, relief that far exceeded what DMS sought, DMS then filed its fifty-page petition for review with the West Virginia Supreme Court of Appeals. That court did not refuse DMS' petition until the court heard oral argument on the petition. Unlike the plaintiff in *Brinkerhoff-Faris*, who had no remedy at all, DMS has been provided ample opportunity to seek relief through the judicial process.

Brinkerhoff-Faris does not provide authority for this Court's review of the decisions below. In *Brinkerhoff-Faris*, this Court said that "... the mere fact that a state court has rendered an erroneous decision on a question of state law, ... does not give rise to a claim under the Fourteenth Amendment or otherwise confer appellate jurisdiction on this court." 281 U.S. at 680. While Eagle does not concede that the decisions below were wrong, assuming that a decision below was somehow incorrect, an incorrect decision in state court does not constitute a violation of federal due process. *Id. Brinkerhoff-Faris*, like the other punitive damages cases cited by DMS, does not provide a basis for DMS' petition for a writ of certiorari.

II. ASSUMING THAT DMS HAS A FEDERAL CONSTITUTIONAL RIGHT FOR THE PROCEDURAL REVIEW OF THE JUDGMENT RENDERED AGAINST IT, DMS RECEIVED THE PROCESS IT WAS DUE WHEN IT EXHAUSTED ITS POST-TRIAL REMEDIES IN THE TRIAL COURT, AND WHEN IT ARGUED ITS PETITION FOR APPEAL IN THE STATE APPELLATE COURT.

After the jury rendered its verdict against DMS, DMS filed a motion for judgment notwithstanding the verdict and alternatively, a motion for a new trial. DMS also filed a motion for a reduction of the jury's verdict in Eagle's related claim for breach of the purchase agreement against DMS. In regard to the motion to reduce Eagle's damages for breach of the purchase agreement, the trial court went far beyond the relief requested by DMS and reduced the verdict in Eagle's favor by two million dollars ($2,000,000.00.)

After the trial court entered its modified judgment against DMS, DMS filed its petition for appeal in the West Virginia Supreme Court of Appeals. DMS' brief in support of its petition was extensive. The brief met West Virginia's maximum length of fifty pages. Many of those pages contained lengthy footnotes. While there is no procedural requirement for oral argument in civil cases, the West Virginia

Supreme Court of Appeals ordered oral argument.[1] After considering the substantial written record, and the oral argument of counsel before the court, the West Virginia appellate court, by a vote of five to zero, granted Eagle's petition for reversal of the trial court's two million dollar ($2,000,000.00) reduction of Eagle's damages for breach of the purchase contract. Resp. App. 35a-36a. The West Virginia appellate court, by a vote of three to two, also rejected DMS' petition for appeal from the judgment against it for breach of the confidentiality agreement. Resp. App. 37a-38a.

DMS' petition for a Writ of Certiorari assumes that the West Virginia Supreme Court of Appeals gave little, if any, substantive consideration to its petition for appeal. There is nothing in the record to support this contention.

In this case, DMS received the same degree of due process, which every other defendant in West Virginia has the opportunity to receive: a trial on the merits, post-trial review of the jury's verdict by the trial court, and review of a petition for appeal by the West Virginia Supreme Court of Appeals. After DMS filed its petition for appeal, DMS also presented oral argument before the West Virginia appellate court. In this case, DMS has received the traditional due process to which Justice Scalia referred in *TXO*.

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[1] W. Va. R. App. P. 5(a) provides that "[t]he Court, at its discretion, may allow counsel for the petitioner . . . to make oral presentation . . . "

Thus, DMS does not have a federal constitutional right for a substantive review of the correctness of the state court's judgment.

III. THE TRIAL COURT'S REFUSAL TO GIVE PLAINTIFF'S INSTRUCTION 30-B IS NOT A PROPER BASIS FOR THIS COURT'S REVIEW OF THE JURY'S VERDICT.

As DMS correctly points out, Eagle offered an instruction that the jury could award damages for breach of the confidentiality agreement based on "Eagle's lost profits, or the Defendants' actual profits, whichever is greater." Resp. App. 28a-29a. DMS objected to this instruction, and the trial court sustained the objection. Resp. App. 30a-32a.

Later, Eagle once again requested that the trial court instruct the jury pursuant to Plaintiff's Instruction No. 30-B. Resp. App. 33a-34a. It is clear from the trial court's final charge to the jury that the court ultimately rejected this instruction. Resp. App. 10a-11a.

DMS states in its Petition before this Court that the record confirms that Eagle did not object to the trial court's final charge on the measure of damages. DMS Petition, page 4. This statement is misleading for several reasons. After Eagle offered Plaintiff's Instruction No. 30-B the first time, the trial court rejected the instruction by not including it in the court's initial draft of the charge to the jury. In regard to the trial court's initial draft of the charge, Eagle argued extensively for inclusion of Plaintiff's Instruction No. 30-B. Resp. App. 30a-34a.

Because Eagle offered the instruction concerning Eagle's lost profits or the Defendants' profits, it was not necessary to object to the court's refusal to include the language of Instruction 30-B in the charge. However, assuming that a subsequent objection was required, surely Eagle's arguments to the court in a second attempt to persuade the court to give the instruction constitutes an "objection" to the court's charge as given, even though the exact term "objection" was not included in Eagle's argument in favor of the instruction. To contend otherwise inexplicably exalts form over substance.

Additionally, Eagle preserved for a second time any error which the trial court made when it refused to give Plaintiff's Instruction 30-B. After the trial court's final discussion concerning the charge and the verdict, Eagle restated its arguments concerning the instructions which the trial court rejected. Resp. App. 34a. However, even though Plaintiff's Instruction 30-B was the better instruction under the law and the circumstances of this case, the instruction given by the trial court was a correct statement of the law, and was a sufficient basis for the jury's verdict.

IV. ANY ALLEGED ERROR ARISING FROM A JURY VERDICT BASED ON THE DEFENDANTS' PROFITS WAS WAIVED BY DMS AT TRIAL.

Ordinarily, a party may not claim evidentiary error on appeal where no objection is made at the trial level. *Wimer v. Hinkle*, 180 W. Va. 660, 379

S.E.2d 383 (1989). This Court will not consider an error, which is not properly preserved in the record. *State v. Browning*, 199 W. Va. 417, 485 S.E.2d 1 (1997); *Smith v. Holloway*, 169 W. Va. 722, 289 S.E.2d 230 (1982). In *Smith*, the plaintiff did not object to the trial court's exclusion of testimony. This Court held that the plaintiff waived his right to appeal the trial court's ruling when he failed to object at trial. When objections are not made in the trial court, and the matters concerned are not jurisdictional, such objections will not be considered on appeal. *Smith*.

Just as in *Smith*, in this case, DMS never objected to Eagle's testimony, or closing argument, about Eagle's damages from the breach of the confidentiality agreement. DMS' failure to object to Eagle's request for damages on this basis constitutes a waiver. DMS should not be allowed to raise its objection to evidence concerning Emerson's profits from DMS' breach of the confidentiality agreement on appeal. *Wimer*; *Smith*.

V. THIS COURT SHOULD NOT GRANT THE PETITION BASED ON THE FACT THAT APPELLATE REVIEW OF CIVIL CASES IN WEST VIRGINIA IS DISCRETIONARY.

DMS refers to the fact that there is no appeal as a matter of right in Virginia and New Hampshire. Yet, DMS fails to cite any cases from this Court, which holds that the lack of an appeal as a matter of right constitutes a violation of federal due process. DMS fails to cite a case in support of this argument

because there are no cases, which contain such a holding.

VI. THIS COURT SHOULD NOT GRANT THE PETITION BASED ON THE TRIAL COURT'S STATEMENTS CONCERNING SUMMARY JUDGMENT.

Summary judgment is a viable remedy in West Virginia when there are no genuine issues of fact, and the movant is entitled to judgment as a matter of law. W. Va. R. Civ. P. 56; *Painter v. Peavy,* 192 W. Va. 189, 451 S.E.2d 755 (1994). The following cases show that West Virginia courts grant motions for summary judgment when it is appropriate to do so. *Strahin v. Sullivan,* 647 S.E.2d 765 (W. Va. 2007); *Dunbar Fraternal Order of Police, Lodge # 119 v. City of Dunbar,* 218 W. Va. 239, 624 S.E.2d 586 (2005); *Jackson v. State Farm Mut. Auto. Ins. Co.,* 215 W. Va. 634, 600 S.E.2d 346 (2004); *West Virginia Fire & Cas. Co. v. Stanley,* 216 W. Va. 40, 602 S.E.2d 483 (2004); *Chafin v. Gibson,* 213 W. Va. 167, 578 S.E.2d 361 (2003).

In this case, the trial court's refusal to grant judgment as a matter of law in favor of DMS does not support granting DMS' petition for a writ of certiorari. Eagle's evidence created genuine issues of material fact, which only a jury could decide. The trial court's alleged misconception concerning the West Virginia's Supreme Court's proclivity to reverse summary judgments is not relevant if the evidence

in this case created genuine issues of material fact. The evidence discussed below shows that there were genuine issues of fact in support of Eagle's claims. The evidence discussed below also supports the jury's verdict in Eagle's favor.

VII. ASSUMING THAT DMS HAS A FEDERAL CONSTITUTIONAL RIGHT FOR SUBSTANTIVE REVIEW OF THE JUDGMENT RENDERED AGAINST IT, THE EVIDENCE ADMITTED AT TRIAL WAS SUFFICIENT TO SUPPORT THE JURY'S VERDICT.

The confidentiality agreement between Eagle and DMS protected information pertaining to Eagle's "system architecture" and "know-how." Resp. App. 3a. Paragraph A 2 of the agreement further restricted the parties from divulging information not consistent with the "project." *Id.* Daniel Industries and Emerson, two other defendants at trial, were not involved in this "project." DMS does not contend that the evidence was insufficient at trial to support the jury's verdict that DMS breached the confidentiality agreement. The basis of DMS' lack of evidence claim is the fact that the jury awarded Eagle damages based on the profits which arose from DMS' breach of the confidentiality agreement. As a matter of fact and as a matter of law, the evidence admitted at trial was sufficient to support the jury's verdict.

In the discovery phase of this litigation, the defendants produced a chart pertaining to Emerson's

profits from the sale of the FB103 and FB104. See Pet. App. J. At trial, when this chart was shown to Randy Page during his cross-examination, he testified that the numbers shown in the chart were too low. Resp. App. 39a-45a. Based on Randy Page's admission, Eagle then created a demonstrative exhibit, which was consistent with Mr. Page's testimony at trial. Resp. App. 25a. In this exhibit, Eagle demonstrated that Emerson's profit for sale of the FB103 totaled thirteen million, nine hundred, ninety-two thousand, three hundred dollars, ($13,992,300.00.) The profit for Emerson's FB104 was three hundred, twenty-four thousand, nine hundred forty-five dollars ($324,945.00.) Emerson's profit from sales of both the FB103 and FB104 totaled fourteen million, three hundred seventeen thousand dollars, ($14,317,000.00.) Resp. App. 25a. This evidence clearly provides an adequate basis for the jury's award of damages in Eagle's favor.

Alternatively, even if this evidence of the profits arising from DMS' breach is somehow inadequate, DMS never objected to Randy Page's testimony. Resp. App. 39a-45a. Nor did DMS object to Eagle's use of the demonstrative chart, which showed Emerson's profits from the sale of the FB103 and the FB104. Resp. App. 25a. DMS also failed to object to the closing argument of Eagle's counsel when he argued that the jury should award this amount to Eagle for the defendants' breach of the confidentiality agreement. Resp. App. 26a-27a.

The jury's award of damages based on the profits of Defendant Emerson is also proper as a matter of law. The purpose of damages for breach of a contract is to compensate the injured party for the loss caused by the breach. 5 Corbin On Contracts § 1002, at 31 (1964). Generally, those damages are measured by the plaintiff's actual loss. Restatement (Second) of Contracts § 347 (1981).

There are cases, however, where it is appropriate to use the defendant's profits as the measure of the plaintiff's damages. *Cincinnati Siemens-Lungren Gas Illuminating Co. v. Western Siemens-Lungren Co.*, 152 U.S. 200, 204-07, 14 S.Ct. 523, 525-26, 38 L.Ed. 411 (1894); *Murphy v. Lifschitz*, 183 Misc. 575, 577, 49 N.Y.S.2d 439, 441 (Sup. Ct. N.Y. County 1944) *aff'd mem.* 268 A.D. 1027, 52 N.Y.S.2d 943 (1st Dep't) *aff'd mem.* 294 N.Y. 892, 63 N.E.2d 26 (1945). A defendant's profits may be recoverable in a breach of contract action "when those profits tend to define the plaintiff's loss." *U.S. Naval Institute v. Charter Communications, Inc.*, 936 F.2d 692 (2nd Cir. 1991).

In *Naval*, the U.S. Naval Institute owned the rights to distribute the hardbound version of the novel, *The Hunt for Red October*, by Tom Clancy. The Institute entered into a licensing agreement with Berkeley, which gave Berkeley the right to distribute the paperback version of the book. The contract prohibited Berkeley from distributing the paperback before October 1986. In the early part of September 1985, Berkeley shipped one million, four hundred

thousand copies of the paperback to various sellers. In violation of the licensing agreement between Institute and Berkeley, sales of the paperback began two weeks early, on September 15, 1985. So many paperbacks were sold in the latter part of September, 1985, that the book rose to the top of the bestseller list for paperbacks by the end of the month. The Institute sued Berkeley for breach of the licensing agreement. *Naval.*

After a judge-alone trial, the court awarded the Institute damages for Berkeley's breach of the licensing agreement. The court based part of Institute's damages on Berkeley's profits from the sale of the book in the last two weeks of September. On appeal, Berkeley contended that damages based on the defendant's profits were improper because such damages were not part of the plaintiff's actual loss. The appellate court disagreed. *Naval.*

The appellate court first noted that there was no proof as to precisely what the unimpeded volume of hardcover sales would have been for the entire month of September. Any such evidence would necessarily have been hypothetical. However, it was not error to lay the normal uncertainty in such hypotheses at the door of the wrongdoer who altered the proper course of events, instead of laying the uncertainty at the door of the injured party. *Naval.* Doubts are generally resolved against the party in breach. Restatement (Second) of Contracts § 352 (1981) comment a. Consequently, it was not improper, given the inherent uncertainty of the circumstances created by the

breaching party, to exercise generosity in favor of the injured party. *Naval.*

In *Murphy*, the defendant entered into a contract to sell liquor to the plaintiff. The defendant breached the contract by selling her liquor to third parties. In a judge-alone trial, the trial court found that the plaintiff's measure of damages was the profit realized by the seller's breach. When ruling in favor of the plaintiff, the court also held that the plaintiff was not required to prove her damages with mathematical exactness or precision. The Court said that "[o]ne who has wrongfully breached a contract cannot insist on proof which is unobtainable by reason of his breach." In further support of the court's award of damages based on the breaching party's profits, the court held that the trier of fact may act upon probable and inferential, as well as direct and positive, proof. *Murphy.*

Just as in *Naval* and *Murphy*, the jury in this case was correct when it awarded Eagle damages for DMS' breach of the confidentiality agreement based on Emerson's profits from the theft of Eagle's technology. At the time of the breach, Eagle was selling flow computers to DMS. At the time of the breach, Eagle was DMS' "main vendor" for computers, which were to be used in the defendants' e-flow project. Resp. App. 46a-51a. DMS breached the mutual confidentiality agreement by supplying Emerson with Eagle's technology and know-how. Based on this stolen confidential information, Emerson sold computers,

which Eagle would have sold had the breach of the confidentiality agreement not occurred.

Because of the wrongful conduct of DMS, it should not be allowed to question how the jury arrived at ten million, five hundred thousand dollars, ($10,500,000.00) for breach of the confidentiality agreement. Because DMS allowed Emerson to steal Eagle's protected information, Emerson sold flow computers, which Eagle would have sold. DMS does not contest the fact that Eagle was DMS' "main vendor." Resp. App. 49a. Any uncertainty concerning the amount of Eagle's damages, which Eagle does not concede, should not inure to the benefit of DMS. It is not error to lay the normal uncertainty caused by the breach at the door of the wrongdoer who altered the proper course of events, instead of laying the uncertainty at the door of the injured party. *Naval*. "One who has wrongfully breached a contract cannot insist on proof which is unobtainable by reason of his breach." *Murphy*.

In this case, as did the trier of fact in *Naval* and *Murphy*, acted on probable and inferential, as well as direct and positive proof, and that reliance is proper. *Murphy*. Because Emerson's profits from the sale of flow computers tends to define Eagle's loss, and because any doubt concerning the amount of damages should be resolved against the party in breach, the jury's award of damages based on Emerson's profits should not be reversed. *Naval*; *Murphy*; Restatement (Second) of Contracts § 352 (1981).

The profits which Emerson made as a result of DMS' breach of the confidentiality agreement is also a proper measure of Eagle's loss because DMS' and Emerson's theft of Eagle's technology is the functional equivalent of misappropriating trade secrets. DMS conceded in its petition filed with the West Virginia Supreme Court that this is true. Resp. App. 52a-54a. In trade secret cases, the plaintiff's damages are based on the amount of the plaintiff's loss, or the amount of the defendant's gain. *Carbo Ceramics, Inc., v. Keefe*, 166 Fed. Apex. 714, WL 197340 (5th Cir. 2006); *University Computing Co. v. Lykes-Youngstown Corp.*, 504 F.2d 518 (5th Cir. 1974).

In *University Computing*, a computer company brought an action for breach of a joint venture agreement, misappropriation of plaintiff's computer system, and violation of a non-competition agreement. The Fifth Circuit Court of Appeals relied on analogous cases to determine a proper remedy, stating that the proper measure of damages for misappropriation of a trade secret is determined by reference to analogous cases involving patent infringement, just as patent infringement cases are used by analogy to determine damages for copyright infringement. *Id.* Because the defendant earned profits from its wrongful misappropriation of the plaintiff's trade secrets, in violation of the parties' non-disclosure agreement, the defendant's actual profits was the proper measure of the plaintiff's damages. *University Computing.*

In this case, as DMS has admitted, DMS' theft of Eagle's technology in violation of the confidentiality agreement is the "functional equivalent" of misappropriating a trade secret. Resp. App. 54a. When determining the proper measure of damages in cases such as this one, it is proper to rely on analogous cases. *University Computing*. Just as it is proper to apply the remedies available for a patent violation in a trade secret case, it is also proper to apply the remedies available for stealing a trade secret to a breach of a confidentiality agreement, particularly when the breach of the confidentiality agreement is the functional equivalent of misappropriating a trade secret. Whether Eagles' claim is labeled a claim for "misappropriating a trade secret," or "breaching a confidentiality agreement," the injury resulting from the theft of Eagle's technology is the same. Because damages based on the defendant's profits is a clearly-authorized remedy in analogous cases of trade secret misappropriation, the jury's award in this case based on Emerson's profits should not be reversed. *University Computing; Ajaxo v. E*Trade Group, Inc.* 135 Cal. App.4th 21, 37 Cal. Rptr.3d 221 (2006).

In *Ajaxo*, the plaintiffs claimed misappropriation of trade secrets and breach of a confidentiality agreement concerning wireless stock trading technology against E*Trade Group, Inc. In Ajaxo's complaint, it sought damages for its lost profits. At trial, Ajaxo changed its theory of recovery to unjust enrichment,

even though Ajaxo did not include a claim of unjust enrichment in its pleadings. After a trial, the jury awarded Ajaxo damages based on the defendants' profits, and the defendants appealed. *Ajaxo*.

The appellate court held that there was substantial evidence supporting the jury's award of damages to Ajaxo for E*Trade's breach of the parties' mutual non-disclosure agreement. The court noted that the evidence of damages for misappropriation of Ajaxo's technology was the same as the evidence of damages for contractual breach. Because E*Trade earned profits from its breach of the non-disclosure agreement, the court said that Ajaxo must be "compensated" for E*Trade's breach. The jury was correct when it awarded Ajaxo damages based on evidence of E*Trade's profits. *Ajaxo*. In this case, the jury's award of damages based on evidence of Emerson's profits arising from the breach of the confidentiality agreement was not erroneous.

CONCLUSION

For the reasons stated above, the petition for a writ of certiorari should be denied.

Respectfully submitted,

THE SUTTER LAW FIRM, PLLC
JOHN E. SUTTER
Counsel of Record
ROBERT H. MILLER, II
ROGER A. DECANIO
1598 Kanawha Blvd., East
Charleston, WV 25311
304/ 343-1514
304/ 343-1519 facsimile

Attorneys for Respondent, Eagle Research Corporation

October 22, 2007

APPENDIX A

PLAINTIFF'S EXHIBIT 45

4036 Teays Valley Rd., Scott Depot, WV 26560-0668

Eagle Research Corporation

Fax

To: Mike Johnson **From:** Dave Kimberling

Fax: 713.827.3382 **Pages:** 4 including cover

Phone: 713.827.5182 **Date:** 06/30/99

Re: Mutual Confidentiality Agreement

CC:

☐ **Urgent** ☐ **For Review** ☐ **Please Comment**
☐ **Please Reply** ☐ **Please Recycle**

Mike –

MCA follows, only change was to the signature line, Jim signed instead of John. Other than that, looks OK to us. Let us know if you need anything else. Are we getting close?

Regards,

/s/ Dave

[LOGO]
EAGLE RESEARCH CORPORATION
Automation Solutions
4036 Teays Valley Road,
Scott Depot, West Virginia 25560
Phone 304-757-6565 FAX 304-757-3332

Michael B. Johnson, Vice-President
Daniel Measurement Services
1133 Bunker Hill Road
Houston, TX 77055

June 30, 1999

Re: Mutual Confidentiality Agreement

Dear Mike:

Attached are two signed originals of the above referenced document. Please execute both and return one to us for our files. We look forward to future discussions and bringing our project to closure with you. As I have indicated, I fully believe that what we are beginning here will be a long standing and mutually beneficial business relationship between two quality organizations.

I look forward to hearing from you and Lee next week.

Sincerely,

David W. Kimberling

MUTUAL CONFIDENTIALITY AGREEMENT

This Agreement is entered into as of this 30th day of June 1999, by and between Daniel Measurement Services, Inc., a Delaware corporation with a place of business at 1133 Bunker Hill, Houston, Texas 77055 ("DMS"), and Eagle Research Corporation, a West Virginia corporation, with a place of business at 4036 Teays Valley Road, Scott Depot, WV 25560 ("Eagle").

DMS and Eagle may provide to each other certain confidential, proprietary and/or trade secret information and material, including protocol structures, pricing and supported core system technologies, relating to the XA Family RTU Products and Subsequent Peripherals (the "Project"). Such information, including financial information, projections, marketing plans, customer lists, marketing and product strategies, product plans, drawings, prototypes, concepts, software, system architecture, know-how, and other trade secrets is deemed by the parties to be confidential (collectively. the "Information").

A. It is understood that unauthorized disclosure or use, whether intentional or unintentional, of any of the Information may be detrimental to the disclosing party. Accordingly, both parties agree:

1. To maintain in confidence the existence of this Agreement and the fact that discussions pertaining to the Project have occurred or are occurring between DMS and Eagle.

2. Not to use any of the Information received from the other party for any purpose other than in connection with the Project.

3. To maintain all of the Information in confidence and not to disclose any portion of the Information to any person or entity other than each party's representatives (which term shall include such party's directors, officers, employees, agents and advisors) who have a need to know the Information in order for such party to perform its obligations under the Project.

4. To cause each of the party's representatives who has access to the Information to comply with the terms and provisions of this Agreement in the same manner as each party is bound hereby, with each party remaining responsible for the actions and disclosures of such representatives.

5. When the Project is completed or when negotiations in connection therewith are terminated, or upon the disclosing party's request, promptly to return to the disclosing party or destroy all documents or other tangible materials containing and/or embodying any of the Information (including, without limitation, all copies, reproductions, summaries and notes of the contents thereof), regardless of the person causing the same to be in such form, and the president or a vice president of the receiving party will certify to the disclosing party that the provisions of this paragraph have been complied with.

6. In making the Information available to the other party, no party shall have any obligation to the other, and hereby disclaims any warranty, as

to the accuracy, completeness or usefulness of the Information or that the use of such Information does not infringe privately owned rights of third parties.

7. All Information provided the parties shall, to the fullest extent possible, be marked with a prominent stamp or legend to reflect its proprietary or confidential nature. The disclosing party shall make every effort to reduce verbal Information to writing. In the event Information is disclosed verbally and not reduced to writing, the disclosing party shall advise the receiving party or its representative that the information is confidential.

B. The obligations pursuant to this Agreement shall not apply to:

1. Information that, at the time of disclosure, is, or, after disclosure, becomes generally known or available to the public other than as a consequence of the receiving party's breach of this Agreement;

2. Information that was known or otherwise available to the receiving party prior to the disclosure by the disclosing party;

3. Information disclosed by a third party to the receiving party after the disclosure by the disclosing party if such third party's disclosure neither violates any obligation of the third party to the disclosing party nor is a consequence of the receiving party's breach of this Agreement;

4. Information that is independently developed by the receiving party without reference to the Information; or

5. Information that the disclosing party authorizes, in writing, for release.

C. In the event that the receiving party or its representative receives a request to disclose all or any part of the Information under any (i) terms of a valid and effective subpoena or order issued by a court of competent jurisdiction or (ii) order by a governmental body, or is obligated to disclose any Information under any statute or regulation applicable to the receiving party, the receiving party agrees to:

1. Immediately notify the disclosing party of the existence, terms and circumstances surrounding such a request, so that it may seek an appropriate protective order and/or waive the receiving party's compliance with the provisions of this Agreement; and

2. If disclosure of such Information is required in the opinion of the receiving party's counsel, cooperate to the extent possible with the disclosing party in obtaining reliable assurances that confidential treatment will be accorded to the disclosed Information.

D. The parties hereto acknowledge that the Information is the property of the disclosing party and the disclosure of the Information to the receiving party does not convey any right, title or license in the Information to the receiving party. The receiving party shall not appropriate the Information to its own

use or to the use of any third party and shall only use the Information for the exclusive benefit of the disclosing party except to the extent authorized in writing by the disclosing party.

E. Each party understands and agrees that the other party might be irreparably harmed by a breach of this Agreement by the receiving party and that the damage to the disclosing party would be difficult if not impossible to assess in pecuniary terms. Accordingly, in addition to any other remedies that the disclosing party may have, the disclosing party shall be entitled to equitable relief, including preliminary and permanent injunctive relief, in the event of a breach or threatened breach of this Agreement by the receiving party.

F. It is further understood and agreed that no failure or delay by the disclosing party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any right, power or privilege hereunder.

G. The provisions of this Agreement shall survive the termination of the Project for a period of five (5) years.

H. This Agreement shall be governed by and construed in accordance with the substantive laws of the State of West Virginia. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under

applicable law, but if any provision hereof shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provision or the remaining provisions of this Agreement. All obligations of the receiving party and rights of the disclosing party expressed herein shall be in addition to, and act in limitation of, those provided by applicable law. This agreement contains the entire agreement between the DMS and Eagle pertaining to the Project, and supersedes any previous oral or written agreements, commitments or understandings. This Agreement may be modified or waived only by a separate writing by Eagle and DMS expressly so modifying or waiving such. This Agreement may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument. References to DMS and Eagle shall be deemed to include each of their affiliates, if any.

I. Nothing contained herein obligates DMS or Eagle to enter into an agreement with the other in connection with the Project or to otherwise prohibit or restrict it from pursuing the Project on its own or with another party, as long as it does not use any Information of the other party in connection therewith. Nothing herein shall require either party to disclose information, confidential or otherwise, to the other party.

IN WITNESS WHEREOF, the parties acknowledge their agreement to the foregoing by due execution of

this Agreement by their respective authorized representatives.

DANIEL MEASUREMENT SERVICES, INC.	EAGLE RESEARCH CORPORATION
By: Michael B. Johnson	By: James N. Butch
Name: Michael B. Johnson	Name: James N. Butch
Title: Vice President	Title: President
Date 6/30/99	Date 6/30/99

APPENDIX B

IN THE CIRCUIT COURT OF
PUTNAM COUNTY, WEST VIRGINIA

EAGLE RESEARCH
CORPORATION,

Plaintiff,

v.

EMERSON ELECTRIC CO.,
DANIEL INDUSTRIES, INC.,
DANIELS MEASUREMENT
SERVICES, INC., and
VALTRONICS, INC.,

Defendants.

CIVIL ACTION NO.
03-C-119

V.

JIM BUTCH,

Third-Party Defendant.

CIVIL CHARGE

(Filed April 13, 2006)

If you find by a preponderance of the evidence that Eagle Research breached the confidentiality agreement entered into by Eagle Research and DMS, then you may award damages in the amount of money which fairly compensates DMS, to the extent possible, for reasonably ascertainable losses proximately caused by the breach.

* * *

APPENDIX C

IN THE CIRCUIT COURT OF
PUTNAM COUNTY, WEST VIRGINIA

EAGLE RESEARCH
CORPORATION,

Plaintiff,

v.

EMERSON ELECTRIC CO.,
DANIEL INDUSTRIES, INC.,
DANIELS MEASUREMENT
SERVICES, INC., and
VALTRONICS, INC.,

Defendants.

CIVIL ACTION NO.
03-C-119

V.

JIM BUTCH,

Third-Party Defendant.

CIVIL CHARGE

* * *

If you find by a preponderance of the evidence that the defendant DMS breached the confidentiality agreement entered into by Eagle Research and DMS, then you may award damages in an amount of money which fairly compensates Eagle Research, to the extent possible, for reasonably ascertainable losses proximately caused by the breach.

* * *

APPENDIX D

IN THE CIRCUIT COURT OF
PUTNAM COUNTY, WEST VIRGINIA

EAGLE RESEARCH
CORPORATION,

Plaintiff,

v.

EMERSON ELECTRIC CO.,
DANIEL INDUSTRIES, INC.,
DANIELS MEASUREMENT
SERVICES, INC., and
VALTRONICS, INC.,

Defendants

CIVIL ACTION
NO. 03-C-119

V.

JIM BUTCH,

Third-Party Defendant.

DIRECT EXAMINATION OF JAMES BUTCH

(Filed March 28, 2006)

* * *

[231] of our competing division." I said, "Well, we're not interested in participating in some kind of fishing expedition either. You know, if we put a lot of time into this bid, you've got to give us some assurances that we're not wasting our time if we're selected as the winner." And I said, "How many are you talking about here? Are we talking about a lot of units or a few units?" Because if he'd said a few units, I'd said

"forget it." He said, "We're looking at 3,000 units a year." I said, "Will the first year's quantity be a firm commitment?" And he said, "We can make the first year's quantity a firm commitment." And I said, "Now, you're going to give us absolute assurances that if we bid on this no information that we supply you whatsoever or arguments will fall into the hands of your competing divisions," and they gave me absolute assurance of that. And I said, "Are you willing to reduce this to writing?" He said "it will be part of the bid process that we send out that we will give absolute assurances. And there will be a written confidentiality agreement forthcoming to the winner after that." But the bid process would include a confidentiality agreement as well, and this was previous passed by – I got a phone call from Mike Johnson explaining the confidential commitment.

Q Mike Johnson was?

A Okay, I'm sorry. Mike Johnson was their

* * *

APPENDIX E

PLAINTIFF'S EXHIBIT 6

John Booth

From: Dave Kimberling [davek@eagleresearchcorp.com]
Sent: Thursday, August 26, 1999 4:31 PM
To: Mike B. Johnson; Lee Burkett
Subject: jimb@eagleresearchcorp.com; John Booth Steam Info

Lee-

In response to your request regarding Steam Calculation, we are planning to program the equations for Superheated Steam as defined in the ASME Steam Tables – Sixth Edition. We have no current plans to program the equations for Saturated which then leads us into steam Quality and Inherently measurement accuracy issues. We will use an orifice mass flow equation for the computation of mass volumes through the meter. There will also be a set of installation criteria developed for the RTU that assures liquid filled lead lines to protect the transducers in the RTU from harmful temperatures.

On the pricing front, let me clarify the current structure as we understand it:

$1492.65 – Current RTU configured the same as the first 10 that you have currently on order that includes all of the I/O capabilities as defined In the /1 Product brochure. This would also be our proposed

price for units during the first year that required I/O functionality.

$1350.00 – Based on your current commitment for 3000 units during the next 12 months that will be the current RTU with all of the unnecessary parts removed from the board relative to I/O and other unused functions which will essentially get you to the "Chart Replacement" mode level for the first year.

$1150.00 – A new board layout developed for you that will be a true "Chart Replacement" with no I/O capability and no expansion path as we currently envision it. This layout will be further discussed with you as we move forward.

Hope this clarifies the water some. If we are not all on the same page, then lets discuss, but at this point it is where we think we are with you. You can by the way mix and match any of the above throughout the year, it is the 3000 unit quantity that gets us the necessary component discounts.

As we have indicated, in order to meet even these price points require us to commit to ordering large volumes of components in order to get the necessary savings to pass along to you, so the sooner we can "concretely" commit to our suppliers the better.

On another note, we would be interested in discussing with you becoming the installation arm for this equipment. This venue may decrease everyone's headaches especially initially going into all of this. We would certainly give you some "most favored

nation" labor rates if you are interested. Maybe this way, you could relax some and we will absorb some of the initial stresses of startup. Just a thought.

Depending on when you get this, if you have any questions, either email me and I will check it late this evening, or I will be at home after 8:30 p.m. your time this evening 304-757-9636. If you have questions we need to discuss, please do not hesitate to call me at home.

I am attaching the files you requested. The base /1 file is in Word. I am attaching two additional files in PDF (Adobe http:\\www.adobe.com) format. Also all of this information is available on our website at http:\\www.eagleresearchcorp.com.

Let me know if you need anything else.

Regards,

Dave

APPENDIX F

IN THE CIRCUIT COURT OF
PUTNAM COUNTY, WEST VIRGINIA

EAGLE RESEARCH
CORPORATION,

Plaintiff,

v.

EMERSON ELECTRIC CO.,
DANIELS INDUSTRIES, INC.,
DANIELS MEASUREMENT
SERVICES, INC., and
VALTRONICS, INC.,

Defendants.

CIVIL ACTION
NO. 03-C-119

V.

JIM BUTCH,

Third-Party Defendant.

CROSS-EXAMINATION OF JAMES BUTCH

(Filed March 28, 2006)

[461] Q Can you answer my question?

A No. I think we could have had a blanket purchase order number by then for sure, yes.

Q Maybe you didn't hear my question.

A It goes back and forth.

Q Let me repeat my question. Eagle did not receive an order for 3000 units because DMS did not have anybody to sell 3000 units to?

A I don't know if that's correct, John. I don't know. They had – I know that they had numerous quotes out there, and one alone was for 3000 units. One customer alone. Then they had 320 other quotes that Lee was working on, and for all I know the number could have been 10,000.

Q Mr. Butch, if DMS had had an order for 3,000 units from one, ten or a hundred customers, don't you think you at Eagle Research would have been the first to know?

A I would have been one of the first to know if they had the order in hand. But for all I know, it was imminent, though.

Q And you know that there was not a customer at DMS who ordered a hundred units, much less 3000 units?

A No, that's not correct. The Texaco order for that steam measurement was for 200 units alone, and we put it in and right after we put it in it was taken out by who?

[462] Q Show us the evidence that you sold 200 flow computers to Texaco?

A Didn't we invoice the pressure transducers to them? The evidence is on the record. We invoiced the pressure transducers.

Q Didn't you tell the members of the jury in response to Mr. Sutter's questions yesterday that you thought that the total number of units that you sold to DMS during this project was 47?

A That's right, because somebody stopped it right after we bought the parts for it, somebody stopped it. But DMS paid for the pressure transducers because they couldn't follow through on it because it was yanked out and a Fisher one put in.

Q We're going to get to putting Fisher in in a moment. But you did not sell 47 – I mean 100 or 200 flow computers to anybody?

A Lee was working on an order –

Q Did you?

A – for 200 and we ordered the pressure transducers for them. It got that far. Do you want them? I'll go bring them to you. They're sitting in a closet at our place because we can't use them because they're arranged just for steam and we haven't done any steam projects.

* * *

APPENDIX G

PLAINTIFF'S EXHIBIT 748

Eagle Business Record LOSS [by J .B.]
3/27/06

Contract Number of Units:		3000
Number Sold:		46
Number Remaining:		2954
Profit Margin:		50%
Quoted Base Price of Flow Computer:		$1350.00
	x	.50
Margin Each:		$675.00
Remaining units:	x	2954
First Year Loss on Flow Computers:		$1,993,950.00
Comm. Options:		$1284.97
	x	.50
		$642.49
	x	2954
First Year Loss on Comm. Options:		$1,897,915.46
		1,993,950
		1,897,915
Total First Year Loss:		$3,891,865.

APPENDIX H

IN THE CIRCUIT COURT OF
PUTNAM COUNTY, WEST VIRGINIA

EAGLE RESEARCH
CORPORATION,

Plaintiff,

v.

EMERSON ELECTRIC CO.,
DANIEL INDUSTRIES, INC.,
DANIELS MEASUREMENT
SERVICES, INC., and
VALTRONICS, INC.,

Defendants.

CIVIL ACTION NO.
03-C-119

V.

JIM BUTCH,

Third-Party Defendant.

DIRECT EXAMINATION OF JAMES BUTCH

(Filed March 28, 2006)

* * *

[321] Q Right. Now, in August and September of 2000, did you have outstanding invoices that were unpaid by DMS?

A Yes.

Q And did you, did there come a time when you inquired about payment of those invoices?

A Yes.

Q Now, in August of 2000, did you ever call anyone from DMS and not get a return phone call?

A After Mike Johnson left – That was the case right along, until I got, one day I got a phone call from Jon Milliken, but it seemed like there was a dark period for sure.

* * *

APPENDIX I

IN THE CIRCUIT COURT OF
PUTNAM COUNTY, WEST VIRGINIA

EAGLE RESEARCH
CORPORATION,

Plaintiff,

v.

EMERSON ELECTRIC CO.,
DANIEL INDUSTRIES, INC.,
DANIELS MEASUREMENT
SERVICES, INC., and
VALTRONICS, INC.,

Defendants.

CIVIL ACTION NO.
03-C-119

V.

JIM BUTCH,

Third-Party Defendant.

DIRECT EXAMINATION – DR. ROY NUTTER

(Filed April 2, 2006)

* * *

[686] Q Well, Dr. Nutter, now that we've completed your table, if you could in one or two or three sentences for the jury, could you sum up and explain your opinion? Is that even possible?

[687] A It's always possible. Let me come out where you can see this whole table. When looking at this table, what I would conclude from this is that the 503 and 553, being pre-Eagle, don't seem to have the

same kind of design. The post-Eagle, the 103/104 seem to have and do have the same techniques, the same design that the Eagle has. Now, not exactly. Though you can't say, or I don't think one can say, that this is an exact copy, but I think that what happened here is probably that the design architecture that was used in the Eagle was used to do the design architecture of the 103/104. They're just – All these pieces sort of lead to that conclusion, and do lead to that conclusion for me.

Q And again that's to a reasonable degree of engineering certainty?

A Yeah. There's no way, I don't see, of being just absolutely one hundred percent certain that that occurred. And I don't feel that I was sitting with the engineers when they were doing the designs, I wasn't looking over their shoulder to see if they were actually copying the stuff. It's not one to one in that this wire goes exactly the same place as that wire, but the techniques are there. And you could see them – not see them before and then you can see them after. And that's where I think the reasonable engineering thought says, yeah, this looks like the design was copied and the [688] design of the architecture. Not in the process, where's the wire go, but in the design of the architecture.

MR. DECANIO: Your Honor, I have no further questions.

* * *

APPENDIX J

FLOWBOSS 103 AND 104 PROFITS

FB 103

YEAR	PRICE	MARGIN	UNITS SOLD	PROFIT
2002	$3500	x .45	456	$718,200
2003	$3500	x .45	1985	$3,126,375
2004	$3500	x .45	2889	$4,550,175
2005	$3500	x .45	3554	$5,597,550
			TOTAL	$13,992,300

FB 104

YEAR	PRICE	MARGIN	UNITS SOLD	PROFIT
2002	$2900	x .45	0	0
2003	$2900	x .45	90	$117,450
2004	$2900	x .45	44	$57,420
2005	$2900	x .45	115	$150,075
			TOTAL	$324,945

GRAND TOTAL PROFITS: $14,317,245

FB 103 Price quoted as $3500

FB 104 Price quoted as $2800-$3000

APPENDIX K

IN THE CIRCUIT COURT OF
PUTNAM COUNTY, WEST VIRGINIA

EAGLE RESEARCH
CORPORATION,

Plaintiff,

v.

CIVIL ACTION NO.
03-C-119

EMERSON ELECTRIC CO.,
DANIEL INDUSTRIES, INC.,
DANIELS MEASUREMENT
SERVICES, INC., and
VALTRONICS, INC.,

Defendants.

v.

JIM BUTCH,

Third-Party Defendant.

PLAINTIFF'S CLOSING ARGUMENT

* * *

[1682] Their pre-tax profits. That was pre-tax. After taxes it was $1,422,000,000. When they stole the technology, when they stole the machine, they devastated the corporate competitive situation of Eagle Research.

And I believe the evidence is overwhelming that they took the contract, they breached it. You know, Milliken and Page testified they didn't know or care there was a contract when they shut this place down.

They were going to get rid of their competitor. It's kind of interesting, because if you don't know and don't ask and don't care, how can you be surprised? Isn't it odd, you know, if you just get away from the whole whine thing for a second, there wasn't one witness that they produced that said there wasn't one. Jim Butch and all the documents, if you analyze the law and follow the Court's instructions, said there were $4,000,000. If you take the profits from these people for taking this man's technology and putting it in a different box and making a profit on it, $14,317,000. That's an $18,000,000 box.

I honestly never thought I'd stand up in front of a jury and say you ought to give Eagle Research Company $18,000,000, but I'm doing it today. I'm used to being in Magistrate Court and Circuit Court and handle criminal cases. But it's the only way to right a wrong. It's the only way to remedy this is to at least give him his contract back, to give [1683] him the profits that they got from taking his machine.

* * *

APPENDIX L

IN THE CIRCUIT COURT OF PUTNAM COUNTY, WEST VIRGINIA

EAGLE RESEARCH CORPORATION,

Plaintiff,

5. [sic]

EMERSON ELECTRIC CO., *et al.*,

Defendants.

Civil Action No. 03-C-119
Judge O. C. Spaulding

DAMAGES FOR BREACH OF CONFIDENTIALITY AGREEMENT

Plaintiff's Instruction No. 30-B

Eagle Research Corporation claims that the defendants are liable for the breach of Eagle's confidentiality agreement with Daniel Measurement Services. If you find, by a preponderance of the evidence that the defendants, or any of one of them, breached Eagle's confidentiality agreement, then you must find in favor of Eagle Research Corporation, and award damages in an amount which is supported by the evidence.

In this case, the measure of plaintiff's damages can be based on the value of what has been lost by the plaintiff, or the value of what has been gained by the defendants, or any one of them. In other words, for breach of Eagle Research Corporation's confidentiality agreement, you may award damages based on:

1. Eagle's lost profits; or the
2. Defendants' actual profits,

whichever amount is greater.

Authority:

Carbo Ceramics., Inc., v. Keefe, 2006 WL 197340 (5th Cir. (Tex.)); *Saforo & Associates, Inc., v. Porocel Corp.*, 337 Ark. 553, 991 S.W.2d 117 (1999); *University Computing Co. v. Lykes-Younsgtown Corp.*, 504 F.2d 518 (5th Cir. 1974): *Elcor Chem. Corp. v. Agri-Sul, Inc.*, 494 S.W.2d 204 (Tex. App.-Dallas 1973, *writ red'd n.r e.*); *Schreyer v. Casco Products Corp.*, 190 F.2d 921, *cert.*

APPENDIX M

IN THE CIRCUIT COURT OF
PUTNAM COUNTY, WEST VIRGINIA

EAGLE RESEARCH
CORPORATION,

Plaintiff,

v.

CIVIL ACTION NO.
03-C-119

EMERSON ELECTRIC CO.,
DANIEL INDUSTRIES, INC.,
DANIELS MEASUREMENT
SERVICES, INC., and
VALTRONICS, INC.,

Defendants.

v.

JIM BUTCH,

Third-Party Defendant.

HEARING ON THE INSTRUCTIONS

(Filed April 6, 2006)

* * *

[1586] were clear enough under the rules for notice pleading. It's always better to be more precise.

THE COURT: Okay. Next issue.

MR. MILLER: Your Honor, on Paragraph 7 – I'm sorry, Page 7, in regard to when a cause of action accrues, we have certainly the appropriate language concerning when the plaintiff should become aware

using reasonable diligence, but I believe it's a two pronged test for the discovery rule. One is knowing or should have known when the plaintiff has been injured; and the second element is knowing or should have known the identity of the wrongdoer. I think we need an additional sentence that includes that second element as to the identity of the wrongdoer.

Okay. Now, turn to Page 8, last full paragraph. While we don't have any problems with the Court's fair, adequate compensation for such loss of damage, we believe that it's also appropriate to go into a little bit more detail in regard to the damages which the plaintiff is claiming. And we would like the Court to also include in its charge our instruction concerning lost profits of the plaintiff arising from the breach of the purchase agreement for the 3000 flow computers and also the recovery of the defendant's profits for the breach of the confidentiality agreement. Those would be previously proffered Instructions 30-A and 30-B, which again [1587] because we've given you so much paper, I can provide you with my two somewhat messy copies if you'd like, Your Honor.

THE COURT: It would be a help.

MR. MILLER: 30-A pertains to lost profits for breach of the contract for sale of the 3000 flow computers. 30-B is for the breach of the confidentiality agreement. One issue too –

MR. TATE: For the record, Your Honor, we object to those.

THE COURT: I'm going to come back.

MR. TATE: It's simple just to say we don't think that's appropriate. That's all I need to say at this point.

MR. MILLER: Your Honor, we have the requirement too in a contract case – I never really understood this rule, but it's by statute – in order for there even to be the possibility to obtain prejudgment interest in a contract case, the jury has to be instructed as to the possibility of that element.

THE COURT: We can't in a contract case, we can't – the Court can't add it?

MR. MILLER: No, sir, not according to my reading of the Thompson v. Stuckey case. And so therefore we believe it is incumbent on us to ask the Court to provide an instruction in regard to prejudgment interest in a contract case. If we

* * *

APPENDIX N

IN THE CIRCUIT COURT OF
PUTNAM COUNTY, WEST VIRGINIA

EAGLE RESEARCH
CORPORATION,

Plaintiff,

v.

CIVIL ACTION NO.
03-C-119

EMERSON ELECTRIC CO.,
DANIEL INDUSTRIES, INC.,
DANIELS MEASUREMENT
SERVICES, INC., and
VALTRONICS, INC.,

Defendants.

v.

JIM BUTCH,

Third-Party Defendant.

HEARING ON THE INSTRUCTIONS

(Filed April 11, 2006)

* * *

[1613] confidentiality agreement before there can be tortious interference.

And in that Verdict Form 12 and also Verdict Form 15 again, there's reference to relationships as opposed to contracts. We believe that is improper. I may have for clarity purposes, Your Honor, going back to my objection on the Court's Instruction with respect to confirmatory memoranda, if there is a confirmatory

memorandum as the plaintiff argues, that only removes the statute of fraud defense. The plaintiff still has the burden of proof of all contract terms, all material terms, as instructed and we believe that instruction should be –

THE COURT: Mr. Sutter, do you wish to defend those areas the defendant feels are deficient?

MR. SUTTER: Your Honor, for the record we would incorporate by reference all of the previous arguments we've made on the record over several days to save a whole lot of time. We would incorporate those by reference and Mr. Miller may have a couple statements for the record.

MR. MILLER: Your Honor, just for purposes of making sure the record is clear, we would like to reiterate our objection in regard to the verdict form concerning Mr. Lee Burkett. We believe, with all respect, that the Court has improperly made a finding as to him breaching his fiduciary

* * *

APPENDIX O

STATE OF WEST VIRGINIA

At a Regular Term of the Supreme Court of Appeals continued and held at Charleston, Kanawha County, on the 22nd of May, 2007, the following order was made and entered:

Eagle Research Corporation, Plaintiff Below, Appellant

vs.) No. 33442

Emerson Electric Co., Daniel Industries, Inc., and Daniel Measurement Services, Inc., Defendants and Third Party Plaintiffs Below, Appellees

vs.

Jim Butch, Third Party Defendant Below, Appellee

On a former day, to-wit, February 6, 2007, came the petitioner, Eagle Research Corporation, by John E. Sutter, Roger H. Miller, II and Roger A. Decanio, The Sutter Law Firm; and William C. Forbes, Forbes Law Office, its attorneys, and presented to the Court its petition praying for an appeal from a judgment of the Circuit Court of Putnam County, rendered on the 18th day of August, 2006, with the record accompanying the petition. Thereafter, on the 7th day of March, 2007, came the respondents, Emerson Electric Co., et al., by Ancil G. Ramey and Hanna B. Curry, Steptoe & Johnson, PLLC; John L. Tate and Jennifer L. Kovalcik. Sites & Harbison, PLLC; Robert J. McAughan, Jr., Locke Liddell & Sapp, LLP; and

W. Michael Moore and Rita M. Biser, Moore & Biser, PLLC, their attorneys, and presented to the Court their written response thereto.

Upon consideration whereof, the Court is of opinion to and doth hereby grant said petition for appeal.

It is hereby ordered that the above-captioned proceeding be heard, submitted and determined upon the original record, briefs of counsel and oral argument, if requested by the parties.

It is further ordered that the appellant file an original and nine copies of a brief within thirty days of receipt of this order; the appellees to file a like number of briefs within thirty days of receipt of the appellant's brief, with any reply brief deemed necessary to be filed within fifteen days of receipt of appellees' brief.

A True Copy

Attest: /s/ Rory L. Perry II
Clerk, Supreme Court of Appeals

APPENDIX P

STATE OF WEST VIRGINIA

At a Regular Term of the Supreme Court of Appeals continued and held at Charleston, Kanawha County, on the 22nd of May, 2007, the following order was made and entered:

Eagle Research Corporation, Plaintiff Below, Respondent

vs.) No. 070375

Emerson Electric Co., Daniel Industries, Inc., and Daniel Measurement Services, Inc., Defendants and Third Party Plaintiffs Below

Daniel Measurement Services, Inc., Petitioner

vs.

Jim Butch, Third Party Defendant Below, Respondent

On a former day, to-wit, February 6, 2007, came the petitioner, Daniel Measurement Services Inc., by Ancil G. Ramey and Hanna B. Curry, Steptoe & Johnson, PLLC; John L. Tate and Jennifer L. Kovalcik, Sites & Harbison, PLLC; Robert J. McAughan, Jr., Locke Liddell & Sapp, LLP; and W. Michael Moore and Rita M. Biser, Moore & Biser, PLLC, its attorneys, and presented to the Court its petition praying for an appeal from a judgment of the Circuit Court of Putnam County, rendered on the 18th day of August, 2006, with the record accompanying the petition. Thereafter, on the 7th day of March, 2007,

came the respondent, Eagle Research Corporation, by John E. Sutter, Roger H. Miller, II and Roger A. Decanio, The Sutter Law Firm; and William C. Forbes, Forbes Law Office, its attorneys, and presented to the Court its written response thereto.

Upon consideration whereof, the Court is of opinion to and doth hereby refuse said petition for appeal. Justice Albright and Benjamin would grant.

A True Copy

Attest: /s/ Rory L. Perry II
Clerk, Supreme Court of Appeals

APPENDIX Q

IN THE CIRCUIT COURT OF
PUTNAM COUNTY, WEST VIRGINIA

EAGLE RESEARCH
CORPORATION,

Plaintiff,

v.

CIVIL ACTION NO.
03-C-119

EMERSON ELECTRIC CO.,
DANIEL INDUSTRIES, INC.,
DANIELS MEASUREMENT
SERVICES, INC., and
VALTRONICS, INC.,

Defendants.

v.

JIM BUTCH,

Third-Party Defendant.

DIRECT EXAMINATION OF RANDY PAGE

(Filed April 3, 2006)

* * *

[982] MR. FORBES: Yes, sir.

Q Let me hand you one of these documents marked super confidential and marked Plaintiff's Exhibit No. 700. Can you identify that?

A It is a table that has the – captures product sales by quantity, average price, average cost from

the years '99 to partial year of 2005 for both the FloBoss 103 and 104 products.

Q And to the best of your knowledge is that chart accurate in terms of the things you just described?

A To my personal knowledge the number of units sold looks correct, but the average selling price and costs do not look correct.

Q You're aware that that was prepared from the business records in Iowa and Houston, or some place by your lawyers, to reflect that?

A I did not prepare the document. It looks like [983] information that was obtained from our market research company, RSR.

Q And the information that RSR would have, would that be information that you would routinely – they would routinely keep in operating a business?

A We do a global market research study every year to compare our results against our competitors and we use a third party research firm to do that. So that they can talk to people and get information from customers – or competitors that's unbiased by us. And so they would typically call people out in the field and get information from them to compile this report for us.

MR. FORBES: I would move the admission of that document, Your Honor.

MR. TATE: No objection.

THE COURT: It may be admitted.

Q Now, let's flip it up here on the screen. Prior to 2001 there was no FloBoss 103/104, so you couldn't have sales figures for that, could you?

A That's correct.

Q But starting in 2002 when you came out with it, you sold 456 units?

A That's what it says.

Q And the average unit sales price was $877?

[984] A That's what it says, but I don't think that's accurate.

Q It should be a lot higher, shouldn't it?

A It should.

Q The –

A Can I explain?

Q Yeah, please do.

A Our order entry system, the way it works is it generates items, whether it is a complete unit, a flow computer or it might be a spare part. Either one is considered an item, And so what I think has happened here is that the number of items were listed – and of course, an item might have a different selling price. So a FloBoss would probably sell for in the neighborhood of $2,100, $2,200, but if they bought a spare part, it could be substantially less. And I think

perhaps that number, because it's so low, someone just did simple math looking at items, total sales and dividing it to come up with an average.

Q So if you sold 456 of them, it should be around $2,000 a unit?

A The flow, all of our products are highly configurable, so it's very hard, but I would say on average it's probably $2,100 to $2,200.

Q On average, if you can, back to this peripheral stuff. [985] When somebody comes in and asks to buy one of your flow computers, there's all kinds of widgets and gidgets you got to tailor to their gas flow computer?

A That's correct.

Q Do you have any idea what the average would be for tailoring one of those for their wells, on the average?

A It can go anywhere from it's bare minimum $800, it could go upwards to $3,500.

Q So you're looking in the neighborhood to buy this whole thing around $5,000?

A That's probably a little bit high for the 103.

Q $4,500?

A I'd say probably closer to $3,500.

Q $3,500. Are you like Mr. Butch, do you make fifty percent profit on those things?

A It depends on the construction of the unit. The more peripherals we sell, the less our margin. And typically our sales model is such that we use independent sales organizations, a representative channel, and it's very common that the representative actually buys all the peripheries, the solar panels, the radios, that kind of stuff, and that's their expense, not our's. And our profit would be somewhere in the neighborhood of gross profit on a 103 with an orifice gas measurement, 45 percent kind of range.

[986] Q Okay. And the same would be true on the 104 when you started selling it pretty much?

A The 104 is a different product. It's used for turbine measurement. It's got a different sensing element on the bottom and the sensing element is most of the cost of the flow computer, and because of its pressure transmitter sensors in the 104, its much cheaper than the 103.

Q So what would the average be for one of those units to sell?

A Probably in the $1,600 range.

Q And at 45 percent profit still, roughly?

A Roughly.

Q And with peripherals, how much would it average when you sold one with peripherals?

A $2,800 to $3,000.

Q So you're back to $5,000 or so a unit there?

A No, I said $2,800 to $3,000.

Q $3,000 a unit?

A Yeah.

Q At 45 percent profit. Do you have any dispute about the numbers of sales on the FloBoss 103 in 2003?

A They appear to be in the ballpark.

Q In 2003 on the 104?

A The units sold looks correct, the average unit selling [987] price looks a little bit high, but again I don't know what configuration of this device, if its got a bunch of peripherals or not.

Q I understand that. Now, in 2004 the FloBoss 103, you sold almost 3,000?

A That's correct.

Q And only 44 of these 104's?

A That's correct.

Q And then 2005 you sold 3,554?

A That's correct.

Q And 2005 you sold 115?

A Those are partial years. I'm not sure what that year was.

Q 2005 was a partial year?

A That's what it says.

Q Are you one of those guys that can tell you off the top of your head what 45 percent of $17,000 is?

A Afraid not.

Q I'm not either.

* * *

APPENDIX R

PLAINTIFF'S EXHIBIT 592

Mike Johnson	To:	Jim Hall <JHALL@danielind.com>
02/24/00 02:58 PM	cc:	GENEP@micromotion.com, jsitton@danielind.com, NIngram@danielind.com, Jim Burdett/DMS@DMS, Lee Burkett/DMS@DMS, Scott Tanner/DMS@DMS, Ed Morrison/DMS@DMS
	Subject:	RE: Eagle Research Corporation Confidentiality Agreement

Jim:

It appears that the information and the ERC instrument you are requesting are restricted by the confidentiality agreement between DMS and ERC. Consequently, please contact ERC directly to obtain the desired information. Alternatively, DMS would be happy to provide access to a test unit upon receiving written permission from ERC.

Their contact information is:

Mr. Jim Butch
President
Eagle Research Corporation
4036 Teays Valley Road
P.O. Box 688
Scott Depot, WV 25580

Phone: 304.757.6585
Fax: 304.757.3332

Mike

Jim Hall
<JHALL@danielind.com>
02/24/00 01:51 PM

To: "mjohnson@dms.danielind.com"
<mjohnson@dms.danielind. com>

cc: "Perkins, Gene [MMI/BOU]"
<GENEPmicromotion. com>,
Neal Ingram <NIngram@danielind.com>,
J D Sitton <jsitton@danielind.com>

Subject: RE: Eagle Research Corporation Confidentiality Agreement

Mike,

During a meeting with Hanover, Gene Perkins and Neal Ingram were told that Hanover wants to deal directly with Eagle to purchase flow computers. They indicated that if we could supply a comparable unit, they would consider purchasing the units from Daniel. We have not requested any info on the Eagle unit from DMS. I did ask Jim Burdett to loan us one of the units DMS had purchased for a couple of days in order to compare its temperature performance with that of the Spectra 100.

We certainly wouldn't want DMS to violate any legal agreement; however, I don't see how this violates the confidentiality agreement, since any potential customer

(such as Hanover) would be expected to run comparative tests on the units he was considering.

Jim

-----Original Message-----

From: mjohnson@dms.danielind.com [mailto:mjohnson@dms.danielind.com]

Sent: Thursday, February 24, 2000 1:18 PM

To: jburdett@dms.danielind.com; stanner@dms.danielind.com; emorriso@dms.danielind.com; crobles@dms.danielind.com; mdorn@dms.danielind.com; jhall@danielind.com; ningram@danielind.com

Cc: jsitton@dms.danielind.com; pbrehm@danielind.com; rpalmer@danielind.com; lburkett@dms.danielind.com

Subject: Eagle Research Corporation Confidentiality Agreement

Gentlemen:

The recent activity between DMS and others has led to increased interest in the electronic data collection devices DMS purchases from Eagle Research Corporation (ERC). This has resulted in numerous questions about the function, specifications, testing, application, and operation of the ERC instrument.

Please be advised that DMS is under legal obligation through our confidentiality agreement with ERC to not disclose any functional, specification, test, application, operation, or pricing information, either written or verbal, to anyone outside of DMS. Unfortunately, this

restricts DMS from sharing any information with Daniel, Fisher-Rosemount and/or Emerson. We have similar agreements with Bristol, Flow Automation, Barton, and Omni which covers all the information received during the DMS investigation and subsequent selection of ERC as our main vendor for data collection instrumentation, and on-going discussions for the next generation instrument.

Requests for any information relating to the ERC instrument should be directed to my attention. No information related to the ERC instrument is to be released by DMS personnel to anyone outside DMS without written permission from myself or Lee Burkett. The above also applies to information on the Bristol, Flow Automation, Barton, and Omni flow computers and is to ensure that we do not violate the agreements in place.

Any written information that has been released outside of DMS concerning ERC, Bristol, Flow Automation, Barton, or Omni should be asked, in writing, to be returned.

Mike Johnson To: Jim Burdett/DMS@DMS,
Scott Tanner/DMS@DMS,
Ed Morrison/DMS@DMS,
Chris Robles/DMS@DMS,
Mike Dom/DMS@DMS,
jhall@danielind.com,
ningram@danielind.com

02/24/00 01:17 PM cc: JD Sitton/DMS@DMS,
pbrehm@danielind.com,
rpalmer@dnaielind.com,
Lee Burkett/DMS@DMS

Subject: Eagle Research Corporation
Confidentiality Agreement

Gentlemen:

The recent activity between DMS and others has led to increased interest in the electronic data collection devices DMS purchases from Eagle Research Corporation (ERC). This has resulted in numerous questions about the function, specifications, testing, application, and operation of the ERC instrument.

Please be advised that DMS is under legal obligation through our confidentiality agreement with ERC to not disclose any functional, specification, test, application, operation, or pricing information, either written or verbal, to anyone outside of DMS. Unfortunately, this restricts DMS from sharing any information with Daniel, Fisher-Rosemount and/or Emerson. We have similar agreements with Bristol, Flow Automation, Barton, and Omni which covers all the information received during the DMS investigation and subsequent selection of ERC as our main vendor for data collection instrumentation, and ongoing discussions for the next generation instrument.

Requests for any information relating to the ERC instrument should be directed to my attention. No information related to the ERC instrument is to be released by DMS personnel to anyone outside DMS

without written permission from myself or Lee Burkett. The above also applies to information on the Bristol, Flow Automation, Barton, and Omni flow computers and is to ensure that we do not violate the agreements in place.

Any written information that has been released outside of DMS concerning ERC, Bristol, Flow Automation, Barton, or Omni should be asked, in writing, to be returned.

CONFIDENTIAL Use and Disclosure Restricted by Order of the Putnam County Circuit Court of West Virginia, Civil Action No. 03C119

APPENDIX S

IN THE SUPREME COURT OF APPEALS OF WEST VIRGINIA

No. 07-

EAGLE RESEARCH CORPORATION,
PLAINTIFF BELOW, RESPONDENT

vs.

DANIEL MEASUREMENT SERVICES INC.,
DEFENDANT, PETITIONER

HONORABLE O. C. SPAULDING, JUDGE
CIRCUIT COURT OF PUTNAM COUNTY
CIVIL ACTION NO. 03-C-119

PETITION FOR APPEAL

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Rita M. Biser, Esq.
Moore & Biser, PLLC
405 Capitol Street, Suite 603
Charleston, WV 25301
Telephone (304) 414-2300

* * *

[17] When first questioned under oath, *Eagle's president admitted that none of Eagle's alleged trade secret items were, in fact, secret.* He also did not have any evidence that the defendants' products incorporated these alleged trade secrets.[72] Despite this testimony, Eagle continued to advance its trade secret claim by designating an electrical engineering witness and a report on such claim.[73] When questioned under oath, however, Eagle's electrical engineer admitted that Eagle's alleged trade secrets were not secrets and that there was no evidence of any trade secret violations.[74] After being reminded by the trial

[72] *See* Butch Depo. Tr. at 91-94, Ex. I, Defs' SJ Cross-Motion.

[73] *See* Def. Tr. Ex. 101 (same as Ex. 6, Defs' Judgment/New Trial Motion Reply).

[74] Trial Tr. at 691-98, 702-03. *See also* Nutter Depo. Tr. (6/20/2005) at 162, Ex. J, Defs' SJ Cross-Motion ("Q. Why didn't you even mention the concept of a linear and a switching

(Continued on following page)

court that it could award attorney fees if Eagle were unsuccessful in advancing its claim, Eagle dismissed its trade secret claim.

After it dismissed its trade secret claim, with prejudice, Eagle amended its complaint to assert a functionally-identical claim that DMS breached the confidentiality agreement. As with its trade secret claim, Eagle's confidentiality claim arose from the alleged use of confidential features in two of the Fisher products.[75] Eagle's engineering witness, the same witness used for its trade secret claim, provided a new report purportedly showing that *entirely different Fisher products,* the FlowBoss 103 and 104, included features that were previously found on an Eagle product sold by Eagle before execution of the confidentiality agreement. He conceded under oath, however, that the allegedly common features were either: (i) not secret (and thus not protectable under the

* * *

---

regulator in your report?" A. [Dr. Nutter] "The – at that point in time, I just didn't have the concept really tightened up. . . . Now, since that point, we've looked at Jim Butch's deposition . . . and this morning you have convinced me that that *is a bunch of off-the-wall things that probably are not trade secrets. I agree."* Q. "They're not trade secrets?" A. *"Correct. I agree. I agree."* (emphasis added)).

[75] Eagle later alleged that DMS violated the agreement by disclosing information to DMS' advisor and affiliate, Randy Page, an employee of Daniel's Flow Computer Division.